

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 9th day of March, 2005 (Effective Date), by and between OBA Federal Savings Bank, Germantown, Maryland, OTS Docket No. 00489 (OBA or Bank), a Federally chartered savings bank, and the Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, acting through its Southeast Regional Director or his designee (Regional Director).

WHEREAS, the OTS is the primary federal regulator of the Bank;

WHEREAS, based upon the Bank's November 11, 2004 Report of Examination (2004 Examinations), the OTS is of the opinion that OBA has engaged in acts and practices that: (i) have resulted in violations of certain of the laws or regulations to which the Bank is subject; and/or (ii) are considered to be unsafe and unsound;

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of an administrative proceeding against the Bank;

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Bank will: (i) comply with all applicable laws and regulations; and (ii) engage in safe and sound practices; and

WHEREAS, the Bank, acting through its Board of Directors (Board), without admitting or denying that such grounds exist except those as to jurisdiction, which are admitted, wishes to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations; and (ii) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

Compliance With Laws and Regulations

1. The Bank, its Directors, officers, employees, agents, and subordinate organizations shall take all necessary and appropriate actions to comply with the following laws and regulations:
 - a. the Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws (the Bank Secrecy Act or BSA), 31 U.S.C. §§ 5311 et seq., and the related BSA regulations issued by the U. S. Department of the Treasury, 31 C.F.R. §§ 103.11 et seq., and the OTS, 12 C.F.R. § 563.177 (collectively with the aforementioned laws and regulations, the BSA Laws and Regulations);

- b. the OTS regulations governing suspicious activity reports and other reports and statements set forth in 12 C.F.R. § 563.180; and
- c. the OTS regulations regarding real estate lending standards set forth in 12 C.F.R. § 560.101;
- d. the Flood Disaster Protection Act, 42 U.S.C. § 4001 et seq. (FDPA) and the regulations issued by the OTS at 12 C.F.R. § 572 (collectively, the FDPA Laws);
- e. the Electronic Fund Transfer Act, 15 U.S.C. § 1693 et seq. (EFTA) and 12 C.F.R. Part 205 (Regulation E); and
- f. the Truth in Lending Act, 15 U.S.C. § 1601 et seq. (TILA), and the regulations issued by the Federal Reserve Board at 12 C.F.R. Part 226 (Regulation Z).

Loan Underwriting

2. Within sixty (60) days after the Effective Date of this Agreement, the Board shall review and revise the Bank's loan underwriting policies and procedures for commercial and nonresidential real estate loans, including construction loans (Loan Policies), as necessary, to ensure that the Loan Policies are consistent with 12 C.F.R. §§ 560.100, 560.101 and 560.170 and the guidance provided in Sections 210, 213 and 214 of the TAH. The Bank's revised Loan Policies shall be sufficiently detailed and specific to ensure that all loan underwriting, documentation and monitoring practices fully comply with all applicable laws, regulations and OTS guidance. The Board shall require Management to immediately implement, and thereafter adhere to, the revised Loan Policies as adopted by the Board. The Board shall be responsible for ensuring and verifying the Bank's compliance with the Loan Policies and shall require such reports from Management as are necessary for the Board to fulfill its fiduciary duties and comply with the requirements of this Agreement. The Loan Policies shall, at a minimum:

- a. adequately address the types of loans the Bank will make in the ordinary course of its business and consider its business plan, operating strategies and the terms and conditions under which each type of loan will be made;
- b. consider the nature, needs and demographics of the markets in which each type of loan will be made;

- c. require, prior to any form of credit commitment, a thorough analysis and documentation of the borrower's overall financial condition and resources (including repayment sources), the financial responsibility of any guarantor, the nature and value of any underlying collateral, and the borrower's character and willingness to repay as agreed;
- d. contain a Loan Pricing Policy, as prepared by Management and adopted by the Board, that establishes rates and terms based upon loan type, compensating deposit balances and other banking services involving the borrower, nature and value of any collateral, the need to maintain an adequate spread, market rates, and the duration of the loan;
- e. require compliance with the asset and investment limitations set forth in 12 U.S.C. § 1464(c) of the Home Owners Loan Act (HOLA), 12 U.S.C. § 1461 et seq., and the diversification limits adopted pursuant to subparagraph (h) below;
- f. establish a system of ongoing credit monitoring and review, by a qualified and experienced individual, to include obtaining updated financial information, current collateral information, and other documentation as necessary, with appropriate communication to Management and to the Board;
- g. establish a quality control review program and procedures (QC Review) that requires a quality assurance review of the Bank's lending function, including its credit monitoring and review process, to be conducted by a party independent of the lending process or outside third party, as approved by the Regional Director;
- h. consider the risks associated with concentrations of credit and provide for diversification limits, within each HOLA investment limit, that are consistent with the guidance provided in Section 211 of the OTS TAH for each loan type, including unsecured loans and unsecured commercial loans, by borrower, by loan type, by collateral, by project and by metropolitan area;
- i. establish and require compliance with appropriate loan documentation requirements consistent with 12 C.F.R. § 563.170 and the Bank's policies and procedures;
- j. establish and require reasonable and appropriate on site property inspection requirements and compliance with the appraisal requirements set forth in 12 C.F.R. Part 564; and

- k. be appropriate and reasonable in light of the Bank's lines of business, complexity, size, expertise, and the nature and scope of its activities.

3. Effective immediately, the Board shall require Management to prepare and submit to the Board for review a quarterly report identifying all real estate secured loans granted by the Bank as exceptions to the Bank's established real estate lending policies and guidelines, as modified in the Loan Policies required in Paragraph 2 above (Real Estate Lending Policies). The Board shall ensure that loans granted as exceptions to the Bank's Real Estate Lending Policies do not exceed the limitations set forth in 12 C.F.R. § 560.101. The Board's review of loans granted as exceptions to the Bank's Real Estate Lending Policies shall be fully documented in the appropriate Board meeting minutes.

Submission of Compliance Documentation

4. Within ninety (90) days after the Effective Date of this Agreement, the Bank shall submit to the Regional Director the revised Loan Policies and Real Estate Lending Policies, as well as the relevant Board meeting minutes necessary to demonstrate compliance with Paragraphs 2 and 3 above of this Agreement. The Bank shall not increase its level of commercial and nonresidential real estate loans beyond the level in existence as of the Effective Date of this Agreement until the Bank has demonstrated, to the satisfaction of the Regional Director, that the Board and its Compensation Review Committee have successfully completed its reviews and assessments of compensation, staffing and training and taken appropriate action to implement all recommendations.

Internal Controls

5. Within sixty (60) days after the Effective Date of this Agreement, the Board shall adopt a written overdraft policy governing the payment of overdrafts on customer accounts (Overdraft Policy). The Overdraft Policy also shall address the payment of overdrafts on employee and director accounts and shall ensure the Bank's compliance with 12 C.F.R. Part 215 and 12 C.F.R. Part 223. The Overdraft Policy shall establish the terms and conditions under which an overdraft will be permitted, identify those employees by position with authority to approve an overdraft, and establish reasonable limits on the approval authority of such persons by position. The Board shall take all steps necessary to ensure that the Overdraft Policy required by this Paragraph 5 is fully implemented and thereafter adhered to by Management and staff of OBA.

6. Within thirty (30) days after the Effective Date of this Agreement, the Board shall require Management to investigate all identified and unexplained differences between the Bank's general ledger account balances and the end of the month bank statement balances, beginning with January 2004 and continuing through the present, and determine the reason for each such difference. Management shall make a written report of its findings to the Board within sixty (60) days after the Effective Date of this Agreement and the Board shall adopt and require Management to implement appropriate corrective action to resolve each such difference. Thereafter, the Board shall require Management to continue reporting any future differences to the Board for appropriate review and consideration. The Board shall fully document its review in the appropriate Board meeting minutes.

7. Effective immediately, the Board shall require all investments in complex securities to comply with the requirements and limitations set forth in OTS Thrift Bulletin 13a. The Board shall require Management to conduct and present to the Board for review and approval, an analysis that is consistent with the requirements of OTS Thrift Bulletin 13a prior to making any new investment in complex securities. The analysis should specifically address the appropriateness of the investment and the effect of the investment on the Bank's interest rate risk position. The Board's review and approval of each investment in complex securities shall be fully detailed in the appropriate Board meeting minutes.

Customer Identification Program

8. Within sixty (60) days after the Effective Date of this Agreement, Management shall revise the Bank's Customer Identification Program (CIP) to ensure that it:

- a. contains specific requirements and procedures governing the origination and establishment of new accounts;
- b. establishes guidelines to be followed for verifying a customer's identity;
- c. ensures the collection of all information required by 31 C.F.R. § 103.121(b)(2);
- d. requires verification of the identity of loan applicants and specific documentation of the nature and purpose of loans secured by collateral other than real property as required by 31 C.F.R. § 103.33(a);
- e. requires Bank employees to fully and accurately complete the Bank's CIP worksheet, which shall be reviewed annually for compliance with 31 C.F.R. § 103.121(b)(2); and

- f. provides for the required customer notification to be placed at each location where loan applications are accepted.

9. Within ninety (90) days after the Effective Date of this Agreement, the Board shall review and approve the Bank's CIP, as revised by Management. The Board's review and approval shall be fully documented in the appropriate Board meeting minutes. A copy of the amended CIP and the Board meeting minutes reflecting the Board's approval shall be provided to the Regional Director within ten (10) days after Board approval. The Board shall take all steps necessary to ensure that the Board approved CIP is fully implemented and thereafter fully adhered to by Management and staff of OBA.

Anti-Money Laundering/BSA Compliance

10. Within thirty (30) days after the Effective Date of this Agreement, the Board shall review and revise the Bank's policies and procedures for complying with the requirements of the BSA and the BSA Laws and Regulations, 31 U.S.C. § 5311 et seq., 12 C.F.R. § 563.177, and 31 C.F.R. Part 103, to strengthen the Bank's Anti-Money Laundering and BSA compliance (BSA Policy). In amending its BSA Policy, the Board shall, at a minimum:

- a. designate a member of Senior Management to serve as the BSA Officer and actively manage, coordinate and monitor the Bank's day-to-day compliance with the BSA Policy and the Bank's program for ensuring compliance with the BSA Laws and Regulations (BSA Compliance Program);
- b. establish specific procedures to ensure that known or suspected criminal activity against or involving the Bank, including transactions that are or appear to be structured to evade or circumvent the BSA requirements, are timely detected and reported, in an accurate and complete manner, to law enforcement and supervisory authorities by the filing of a Suspicious Activity Report (SAR), as required by the suspicious activity reporting provisions of 12 C.F.R. § 563.180(d) and 31 C.F.R. § 103.18 (collectively the SAR Regulations);
- c. adopt such procedures as are necessary to strengthen and ensure the accurate completion of Currency Transaction Reports (CTRs) filed by the Bank;
- c. require a log documenting compliance with the Financial Crimes Enforcement Network (FinCEN) Section 314a requests by noting the date of the request, the control number of the request, date that the search was initiated, the date that the search was completed, and the number of responsive hits;

- e. prohibit the exemption from the BSA requirements of any business or company that is not in good standing with its primary state regulator or that is subject to an enforcement action or reprimand from such regulator;
- f. designate a written methodology and standards for assigning risk levels to customers based upon specific factors as established by the Board, including but not limited to, the type of business being conducted, the specific products being offered and the geographic location(s) of the customer's operations; and
- g. establish appropriate levels of enhanced due diligence required for higher risk customers based upon the risk level assigned to such customer, including, but not limited to, the appropriate documentation and records necessary to verify a customer's identity, business activities, and normal and customary transactions and the routine monitoring of customer transactions and account activity to identify transactions or activities that are not normal or customary in light of past patterns of transactions or activity, not commensurate with expected transactions or activity, or otherwise suspicious or without any apparent legal purpose.

The Board shall take all steps necessary to ensure that the revised BSA Policy required by this Paragraph 10 is fully implemented and thereafter fully adhered to by Management and staff of OBA.

11. Within sixty (60) days after the Effective Date of this Agreement, the Board shall revise the Bank's BSA Policy to require annual independent testing of the Bank's BSA Compliance Program by a qualified independent outside third party with knowledge of the BSA Laws and Regulations and experience in compliance with the requirements imposed by such laws and regulations. The BSA Policy shall require the independent test to be completed within ninety (90) days after each fiscal year end. The independent test shall comprehensively review the Bank's BSA risk-assessment; the Bank's internal controls for preventing money laundering and terrorism financing; and the Bank's compliance with BSA Laws and Regulations. The Board shall ensure that the scope of the test considers and incorporates, as appropriate for the size and complexity of the Bank, the examination procedures established by the OTS in Section 400 of the Compliance Activities Handbook and the BSA checklist contained in the OTS Compliance Self-Assessment Guide. Each independent test shall, at a minimum, include:

- a. a review of the Bank's policies and procedures regarding compliance with the BSA; Office of Foreign Assets Control (OFAC) required checks, 31 C.F.R. Part 500; CIP, 12 C.F.R. § 563.177(b)(2) and 31 C.F.R. § 103.121; and SAR filings, 12 C.F.R. § 563.180(d) and 31 C.F.R. § 103.18 and the SAR Regulations, to determine that such policies and procedures are in compliance with applicable laws and regulations, including any changes to such laws and regulations;
- b. a test of the Bank's internal control procedures for monitoring compliance with the BSA, OFAC, CIP, and SAR Policies, including interviews of employees involved in or responsible for the Bank's compliance, and their supervisors;
- c. a review of the Bank's CTR filings for accuracy and completeness;
- d. a test and confirmation of the integrity and accuracy of the systems for the reporting of large currency transactions, including a review of the reasonableness of the amount designated by the Bank as a "large transaction" for inclusion on the report;
- e. a review of the Bank's large currency transactions report and the Bank's analysis of large currency transactions and determinations regarding the filing of any SARs;
- f. a review of all SARs filed by the Bank to evaluate their accuracy and completeness;
- g. a determination of whether the Bank has any customers exempt from CTR filings, a review of the exempt customer list to confirm that the Bank is maintaining the required list, a test of the validity and reasonableness of the CTR filing exemptions granted by the Bank, verification that the Bank is performing an annual review of each exempt customer to determine their continued qualification for an exemption, and confirmation that required procedures to re-designate or, if appropriate, remove customers from the exempt list are being followed;
- h. a test confirming the integrity and accuracy of the Bank's recordkeeping system to ensure that all required records are being created and retained by the Bank in accordance with all applicable record retention requirements;
- i. a review of the Bank's August 30, 2004 Report of Examination of OBA (2004 Examination) and the results of the immediately preceding BSA Compliance Program independent test and verification of Board review and the adoption and implementation of adequate and appropriate corrective action;

- j. a test of the Bank's policies and procedures regarding the designation, identification and monitoring of high risk accounts for possible money laundering or other suspicious activity for which a SAR must be filed;
- k. a review of the Bank's policies and procedures for receiving and responding to requests from FinCEN, made pursuant to Section 314(a) of the USA PATRIOT Act and 31 C.F.R. § 103.100, which shall require, at a minimum, maintenance of a log that lists each Section 314(a) request received by the Bank, logged in by the FinCEN assigned control number, the date the request was received, the date that the Bank's review was completed, the number of hits found, and, if applicable, the date the Bank responded to FinCEN;
- l. a test of the Bank's CIP and requirements to determine the effectiveness in complying with the Bank's customer information policies and applicable legal and regulatory requirements;
- m. a review of the Bank's due diligence procedures for correspondent accounts;
- n. a review of tellers' work forms and CTR forms;
- o. a determination that the Bank has procedures in place for maintaining required information on customers purchasing monetary instruments for cash amounts between \$3,000 and \$10,000 and that appropriate identification measures are in place;
- p. a determination that the Bank is conducting an ongoing annual training program for its employees and verification that the Bank is maintaining records of such training;
- q. a determination that the Bank is monitoring cash shipments to and from the Federal Reserve Bank or its correspondent bank; and
- r. a determination that the Bank is retaining all workpapers generated by or in connection with each independent test of the Bank's BSA Compliance Program, the results and findings of each independent test, and the Board meeting minutes reflecting the Board's review of the independent test results and any required corrective action(s) adopted by the Board.

12. The Board shall take all steps necessary to ensure that the BSA Policy, as revised consistent with the requirements of Paragraphs 10 and 11 above, is fully implemented and thereafter fully adhered to by Management and staff of the Bank. The Board shall submit a copy of the revised BSA Policy to the Regional Director within ten (10) days after adoption.

13. Within thirty (30) days after the Effective Date of this Agreement, the Board shall engage a qualified independent outside third party to conduct an independent test of the Bank's BSA Compliance Program, including a transaction review for the period July 1, 2003 to the present, to evaluate the Bank's compliance with the BSA Laws and Regulations and determine whether any suspicious activity at, by, or through the Bank was properly identified and reported in accordance with applicable regulations. The independent test shall comply with the requirements set forth in Paragraph 11 above and shall be completed within ninety (90) days after the Effective Date of this Agreement. Within thirty (30) days after its completion, the Board shall review the findings of the independent test required by this Paragraph 13 and determine the appropriate corrective action required to address any deficiencies or weaknesses. The Board shall fully document its review and any corrective actions adopted in the appropriate Board meeting minutes. The Board shall ensure that Management fully implements the corrective actions adopted by the Board. A copy of the independent test and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within ten (10) days after the date of the Board meeting.

14. The final findings of each annual independent test conducted pursuant to Paragraph 11 above shall be promptly reported to and reviewed by the Board at the next regularly scheduled Board meeting following completion of the independent test. The Board shall ensure that its discussions of the testing results, including any actions taken or required by the Board, are thoroughly and accurately documented in the Board meeting minutes. The Bank shall retain all workpapers generated by or in connection with the independent testing of the Bank's BSA Program and compliance.

15. Within ninety (90) days after the Effective Date of this Agreement, the Bank shall have in place and thereafter utilize a system that provides for all CTRs to be filed accurately and in a timely manner.

Office of Foreign Assets Control

16. Within sixty (60) days after the Effective Date of this Agreement, the Board shall review and revise the Bank's policies and procedures to implement the applicable requirements of the regulations of the U.S. Department of the Treasury OFAC, 31 C.F.R. Part 500 (OFAC Policy).

17. The Board shall ensure that all new deposit and loan accounts, including those for businesses and their principals, are being checked against the OFAC control list and that all outstanding deposit and loan accounts, including those for businesses and their principals, are being checked against the OFAC control list annually. The Board shall take all steps necessary to ensure that the revised OFAC Policy required by this Paragraph 16 is fully implemented and thereafter fully adhered to by Management and staff of OBA.

Electronic Fund Transfer Act

17. Within sixty (60) days after the Effective Date of this Agreement, the Board shall review and revise the Bank's policies and procedures regarding electronic fund transfers to ensure compliance with the EFTA and Regulation E (EFTA Policy). The EFTA Policy shall, at a minimum, provide for adequate staff training on Regulation E's requirements, establish internal controls as necessary to ensure the Bank's compliance with the EFTA and Regulation E, address the weaknesses identified in the Bank's 2004 Examination, and provide for quarterly review and testing of the Bank's error resolution practices. The Board shall take all steps necessary to ensure that the revised EFTA Policy required by this Paragraph 17 is fully implemented and thereafter fully adhered to by Management and staff of OBA.

Truth in Lending

18. Within thirty (30) days after the Effective Date of this Agreement, the Board shall review and revise its policies and procedures governing compliance with the TILA and Regulation Z, as necessary, to ensure full compliance with the requirements of TILA and Regulation Z (TILA Policy). The Bank's TILA Policy shall include such procedures and requirements as are necessary to ensure that the deficiencies noted in the 2004 Examination do not recur. The Bank's TILA Policy shall, at a minimum, require additional training of lending staff on the technical requirements of Regulation Z to strengthen the Bank's compliance with Regulation Z, provide for such internal controls as are necessary to ensure the Bank's compliance with Regulation Z, and require the Bank's internal auditor to conduct quarterly reviews of loan samples to assess the Bank's compliance with Regulation Z. The Board shall take all steps necessary to ensure that the revised TILA Policy required by this Paragraph 18 is fully implemented and thereafter fully adhered to by Management and staff of OBA.

19. Within sixty (60) days after the Effective Date of this Agreement, the Board shall require Management to promptly review and correct all deficiencies or non-compliance with TILA and Regulation Z, as noted in the 2004 Examination. Management shall prepare and provide to the Board a detailed report identifying all loans with deficiencies or otherwise found to be in non-compliance with the TILA and Regulation Z and specifying the corrective action taken to remedy such deficiencies and non-compliance (TILA Corrective Action Report). A copy of the TILA Corrective Action Report and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within ten (10) days after the date of the Board meeting at which the TILA Corrective Action Report is presented to and reviewed by the Board.

Flood Disaster Protection Act

20. Within sixty (60) days after the Effective Date of this Agreement, the Board shall review and revise the Bank's FDPA policies and procedures to ensure the Bank fully complies with the FDPA and the OTS regulations at 12 C.F.R. Part 572 (FDPA Policy). The FDPA Policy shall, at a minimum, establish a system to ensure that appropriate flood insurance is obtained and maintained on property securing a loan from the Bank and that all flood determinations and notices are accurately and timely completed and made. The Board's review and revisions to the Bank's FDPA Policy shall be fully and accurately detailed in the appropriate Board meeting minutes. A copy of the revised FDPA Policy and the Board meeting minutes shall be provided to the Regional Director within ten (10) days after the date of the Board meeting. The Board shall take all steps necessary to ensure that the revised FDPA Policy required by this Paragraph 20 is fully implemented and thereafter fully adhered to by Management and staff of OBA.

Board Compliance Committee

21. Within thirty (30) days of the Effective Date of this Agreement, the Board shall appoint a committee (the Regulatory Compliance Committee) comprising three or more Directors, the majority of whom shall be independent of Management, to monitor and coordinate the Bank's compliance with the provisions of this Agreement and the completion of all corrective action required in the 2004 Examination.

22. By April 30, 2005, and thereafter within thirty (30) days after the end of each calendar quarter, the Regulatory Compliance Committee shall submit a written progress report to the Board detailing the actions taken to comply with each provision of this Agreement and the actions required by the 2004 Examination, as well as the results of those actions.

23. By May 15, 2005, and thereafter within forty-five (45) days after the end of each calendar quarter, the Board shall submit to the Regional Director: (i) a copy of the Regulatory Compliance Committee's quarterly progress report required by Paragraph 22 above, with any additional comments made by the Board, to the Regional Director; and (ii) a written certification that each Director has reviewed the report.

Director Responsibility

24. Notwithstanding the requirements of this Agreement that the Board submit various matters to the Regional Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual Director's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Bank at all times, including compliance with the determinations of the Regional Director as required by this Agreement.

Compliance with Agreement

25. All policies, procedures, corrective actions, plans, programs, reviews and systems required by this Agreement (collectively, Policies and Procedures) shall conform to all applicable statutes, regulations, OTS policy and guidance. The Board shall submit copies of all Policies and Procedures required by this Agreement to the Regional Director within the timeframes specified or, in the event a timeframe is not specified, within thirty (30) days after adoption by the Board. The Board shall revise such Policies and Procedures as required by the Regional Director within thirty (30) days of receipt of written direction from the Regional Director. The Policies and Procedures, as modified consistent with the written direction of the Regional Director, shall be incorporated into this Agreement and any deviation from such Policies and Procedures shall be a violation of this Agreement.

26. The Board shall require Management to correct all deficiencies identified in the Bank's 2004 Examinations, as directed therein, except where such direction is modified or changed by the terms of this Agreement. Further, the Board and Management of the Bank shall take immediate action to cause the Bank to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Bank to continue to carry out the provisions of this Agreement.

27. The Board shall, on a quarterly basis beginning with the calendar quarter ending March 30, 2005, adopt a board resolution (the Compliance Resolution) formally resolving that, following a diligent inquiry of relevant information (including a report from Management regarding the Bank's compliance with each numbered paragraph of this Agreement), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Bank has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall:

- a. specify in detail how, if at all, full compliance was found not to exist; and
- b. identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption.

28. The minutes of each meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution:

- a. the identity of each Director voting in favor of its adoption; and
- b. the identity of each Director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such Director's reasoning for opposing or abstaining.

29. Within thirty (30) calendar days after the end of each calendar quarter, beginning with the calendar quarter ending March 30, 2005, the Board shall provide to the Regional Director a certified true copy of the Compliance Resolution[s] adopted at the Board meeting pursuant to Paragraph 27 of this Agreement. The Board, by virtue of the Bank's submission of a certified true copy of such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except that in the event that one or more Directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the Board meeting minutes.

30. The Board shall promptly respond to any request from the OTS for documents to demonstrate compliance with this Agreement, including making Bank records and documents available for OTS examiner review upon request.

Definitions

31. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, Federal Deposit Insurance Act (FDIA) or OTS Memoranda. Any such technical words or terms used in this Directive and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

Successor Statutes, Regulations, Guidance, Amendments

32. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

Notices

33. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:

- a. the OTS by the Bank, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director, Office of Thrift Supervision, Department of the Treasury, 1475 Peachtree Street, N.E., Atlanta, Georgia, 30309, or telecopied to 404.897.1861 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.
- b. the Bank by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Bank at 20300 ~~Goldenrod Lane~~ *Jeneca Meadows Pkwy.*, Germantown, Maryland 20876, or telecopied to 301.528.3510 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

Duration, Termination or Suspension of Agreement

34. This Agreement shall:

- a. become effective upon its execution by the OTS, through its authorized representative whose signature appears below; and
- b. remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

35. The Regional Director in his sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

Time Limits

36. Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

Effect of Headings

37. The Section headings herein are for convenience only and shall not affect the construction hereof.

Separability Clause

38. In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his sole discretion determines otherwise.

No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted

39. Nothing in this Agreement shall be construed as:

- a. allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject; or
- b. restricting the OTS from taking such action(s) as are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

Successors in Interest/Benefit

40. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

Signature of Directors

41. Each Director signing the Agreement attests, by such act, that she or he voted in favor of a Board resolution authorizing the execution of this Agreement by the Bank.

Integration Clause

42. This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter. However, as noted herein, all Policies and Procedures required by this Agreement shall, upon modification consistent with the direction of the Regional Director, become part of this Agreement and any deviation from these policies shall be deemed a violation of this Agreement.

Enforceability of Agreement

43. The Bank represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Bank. The Bank acknowledges that this Agreement, is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

Counterparts

44. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

(End of Text)

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Bank, in accordance with a duly adopted resolution of its Board, hereby execute this Agreement as of the Effective Date.

THE BANK

/S/
Name: Warren N. Low
Title: President; Director

/S/
Director - James C. Beadles - Chairman

/S/
Director - Donald L. Mallore

/S/
Director - Donald E. Stover

/S/
Director - William R. Belew

(absent - injury)
Director - Donald L. Burgy

OFFICE OF THRIFT SUPERVISION

By: /S/
John E. Ryan
Southeast Regional Director

March 9, 2005
Dated

/S/
Director - Evelyn Jackson

/S/
Director - Holly R. Bray

/S/
Director - Michael L. Reed